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Australian sheep carcasses.

Australia Eyes Mideast Sheep Market

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Australian sheep carcasses undergoing inspection prior to export. Australia is stepping up its shipments of live sheep and sheep meat to the Mideast. See article beginning this page.

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Australian Sheepmen View Mideast as Growing Market

By HARLAN J. DIRKS
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RISING AFFLUENCE and a growing population in the Mideast have resulted in a surge in demand for higher quality meat in general and for imported meat in particular, and Australia is gearing up to provide larger shipments of lamb and mutton—two of the area's traditional meats.

This demand runs counter to a general sheep meat consumption downtrend in most other countries. As a result, the Mideast has emerged as Australia's top outlet for sheep meat, taking some 45,000 tons[1] in calendar 1974 (including the carcass-weight equivalent of live sheep). Australian exporters believe the outlook for sales to this market will continue bright and demand is expected to outrun their lamb production into the foreseeable future.

Strong sales to the Mideast in 1974 played a vital role in keeping Australian sheep prices from tumbling to the same extent as those for beef. The most important impact was probably that the Mideast replaced the United Kingdom as Australia's most important lamb market.

To date the Mideast countries—Iran, Kuwait, Saudi Arabia, Bahrain, Qatar, and Dubai—have not been big beef buyers, but Australian exporters are confident that sales to these countries will rise above the 1974 total of 3,369 tons. However, because lamb and mutton are the preferred meats, they will be promoted more heavily than beef.

The many special problems connected with selling meat in the Mideast have caused the Australian Meat Board, in cooperation with both exporters and importers, to launch a market development program for the area. Involving an extensive educational program aimed at providing the trade with technical data and consumers with shopping and cooking information—including recipes—the main thrusts of the program are to overcome some of the difficulties connected with local distribution and handling of imported fresh and frozen sheep meats and to build consumer acceptance for meats to which they are not accustomed.

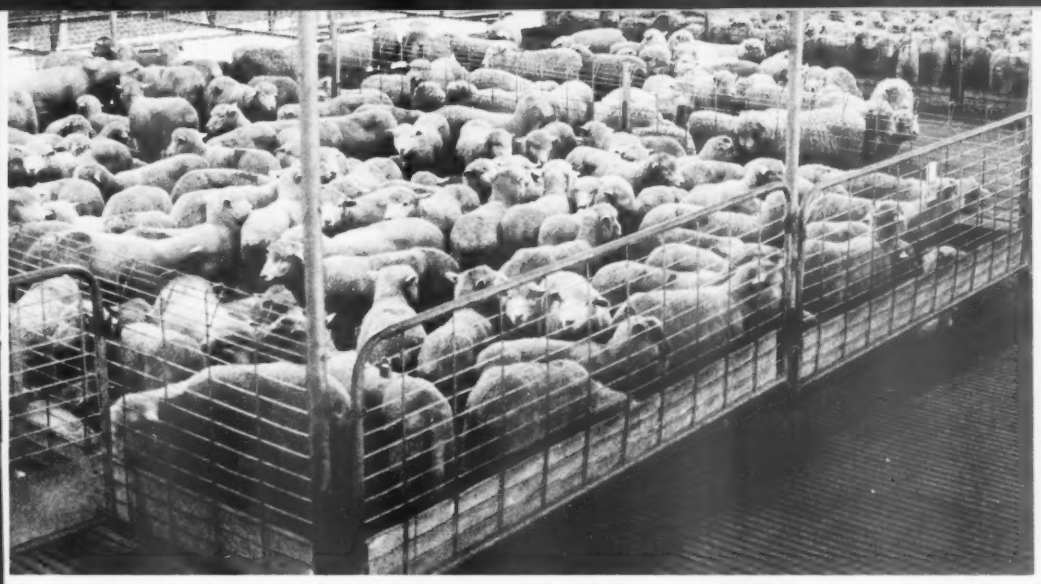
The objective of the technical program is to bring about an expansion in the number of cold storage units, improve delivery methods, and upgrade the general quality of chilled and frozen meat delivered to the retail trade.

Trade with the Mideast countries has not been easy to develop nor are the restrictions imposed by the Moslem faith easy to comply with. One of these is that a religious leader must be present to supervise the precise slaughter technique that must be employed. However, Australian exporters of lamb meat have been able to meet this requirement because the large volume of sales to the Moslem countries reduces to a minimum the per-unit cost of such services. But imported fresh and frozen meats—even if they meet religious and slaughter requirements—are unpopular and in some cases totally unacceptable.

MIDEAST CONSUMERS generally prefer fresh meat, killed locally in the evening and delivered chilled to the retail trade the next morning. Then too, cold storage capacity for chilled and frozen meats is limited and in some countries nonexistent.

The best way to meet the requirements of the trade has been through live sheep sales, although shipping charges are high and live sheep supplies irregular. Currently the cost of shipping live sheep to the Mideast from Western Australia has been estimated at about $A30 per head, for a current landed cost of about $A40 per head (including purchase price of sheep). (The current exchange rate is $A1=US$1.28.) Death losses in transit normally run under 5 percent, but could go higher in the hot summer season. At current prices,

[1] **All tons are metric.**



Left, Australian sheep in dockside conditioning pens, awaiting shipment to Mideast customers. Below left, loading frozen Australian mutton and lamb aboard a refrigerator ship. Below right, a truckload of live sheep and lambs at shipside in Australia.

shipping expenses per head far exceed the cost of buying the sheep itself.

Australia's live sheep sales to the Mideast in 1974 amounted to over 1.1 million head, compared with 800,000 the year before. But arrival quality has been a problem. Australian exporters are trying to improve the carcass quality of live sheep destined for the Mideast by an extensive educational program aimed at upgrading selection methods.

The Mideast live sheep market is mainly for mutton (wethers) up to 3½ years old. The preferred carcass is from hogetts 18-24 months, but these are expensive and in short supply. Carcasses can weigh up to 50 pounds or more so long as they are not too fat. Native Mideast lamb and mutton come from the region's fat-tail sheep, an extremely lean breed except for a fatty accumulation in a lump over the tail. (This is generally removed during slaughter.) Mideast consumers want imported mutton to be as lean as the domestic product.

Shipping companies moving live sheep to the Mideast are attempting to improve sheep-arrival conditions and cut death losses in transit by conditioning the sheep before they are loaded. Part of the program calls for sheep to become accustomed to a diet of cubed pellets feed instead of hay so as to cut down on space requirements aboard ship. Sheep are held in pens near the ports during the conditioning process.

Another problem connected with exporting live sheep has been strong ob-

jections from Australia's unions whose leaders claim that such exports are depriving Australians of jobs. Temporary guidelines have been established whereby 2 tons of mutton must be exported for every 50 live sheep shipped to the Mideast. For every 65 lambs, 2 tons of lamb carcasses must be exported.

While the procedure appears to be working satisfactorily at the present time, problems could develop if the demand for live sheep overseas should strengthen in the future. In any case, the situation was to be reviewed before the end of 1975.

A few Australian exporters are shipping fresh carcasses and primal cuts by air freight. But the cost of putting airshipped, fresh carcasses on the market in Mideastern countries is close to that of shipping live sheep. In the long run, however, it is likely that air transport will be too expensive and the volume too low for airshipped lamb meat to become an important segment of the trade between Australia and the Mideast. Air freight to the Middle East for fresh carcasses is about $A1,100 per ton.

In other instances, exporters are trying to satisfy consumer preference for fresh lamb meat and mutton by shipping carcasses in ocean containers—the most common method being to ship them vacuum packed and chilled. But their arrival quality has been irregular and in some cases disappointing. Further refinement in packing, transport, and storage and handling on arrival will be needed before shipments in this form can be made on a regular or volume basis.

Exporters generally agree that over the long term, the most efficient and practical method of processing meat for the Mideast market is to freeze it, either as carcasses or primal cuts. The cost of transporting cuts and boneless meat is some 40 percent less than for the more bulky carcasses and, of course, several times cheaper than for live sheep. Notwithstanding the present lack of cold storage facilities in the Mideast, a major problem has been to provide advice to the importers about how to present thawed lamb and mutton carcasses and cuts to the retail trade. The product must have the proper odor, degree of tenderness, color, and taste if it is to be widely accepted.

A real sign of the Mideast's growing affluence has been the sharp increase in the demand for lamb, the most expensive sheep meat. Sales of lamb meat to these countries amounted to 6,068 tons in 1974, compared with 680 tons the year before. Sales are expected to more than double in 1975, maintaining this market's position as Australia's most important outlet for lamb.

Australian sheepmen are seeking to produce the right kind of lamb for the Mideast market. Lamb carcasses must be light, weighing about 36 pounds. Moslem tradesmen do not necessarily prefer a light lamb carcass, but they have found that buying small-carcassed lamb insures one that is not overly fat.

First-cross Leicester-Merino—or the straight Merino—lambs so far have produced the leanest carcasses. Australia's traditional Dorset-cross lambs often are fatter than is desired by the Mideast consumer. Conformation is not important; this is the reason Merino lambs—that do not fatten as quickly as other breeds—are preferred. Yearling Merino carcasses have been especially well accepted because of their large meaty carcasses; however, straight Merinos are expensive and in short supply because of strong demand for Merinos as flock replacements by Australian herdsmen.

"Australian exporters believe the outlook for sales to (the Mideast) will continue bright and demand is expected to outrun their lamb production . . ."

There is also a strong demand for breeding sheep in the Mideast as many of the countries there are seeking to expand domestic sheep meat production. Several large contracts have been signed between Australian exporters and Mideastern buyers for breeding sheep, the largest demand being for 1- and 2-year-old Merino-Leicester cross ewes. There would also be a good demand for straight Merino ewes, but Australia now has an export ban on pure Merinos for breeding purposes. Although Mideastern flock growth is expected to be sizable, Australian meat exporters do not think the buildup will pose any substantial threats to sheep meat exports in the foreseeable future because of the market's growth potential.

Estimates of the possible size of the Mideastern market for sheep meat vary, but most exporters see it as a fast-growing one. Total sheep meat imports in 1975 are estimated at 140,000 tons (including carcass equivalent of live sheep), of which Australia expects to provide 50 percent. To do this, Australia will have to nearly double its exports of mutton and lamb in 1975 and substantially increase its sales of live sheep, a production level Australia expects to achieve.

New shipping capacity is being added for live sheep and sheep meat. It has been estimated that the demand for imported sheep meat could mount to 500,000 tons within the next decade. Australia hopes to build its exports up to the equivalent of 4-5 million sheep annually within the next few years.

The most important individual Mideastern market for sheep meat is Iran, taking some 60 percent of all sales. The Iranian Government buys imported live sheep and sheep meat and sells the latter to the consumer at subsidized prices. Bahrain pays a subsidy of about $A5.60 per head on live sheep imports. Some other countries are encouraging imports by reducing duties on both live sheep and meat imports.

Other than Iran, Kuwait, the Gulf States, Saudi Arabia, Iraq, Jordan, and Syria are considered to be major growth markets for imported lamb meat and carcasses. There is a good chance that some of these countries may want to develop long-term supply contracts to assure steady shipments.

The total Mideastern beef import market in 1975 is estimated at 60,000 tons. Australia's share has been estimated at some 20,000 tons. A good part of Australia's sales in 1975 was the result of a 12,000-ton beef contract with the Egyptian armed forces. This is considered to be an extraordinary purchase and may not be repeated.

Australia recognizes that there is strong competition in the Mideastern market from nearby beef suppliers, as well as from those in South America. Nevertheless, Australia will probably make strong attempts in the future to transform the Mideast into a sizable outlet for Australian beef.

The main market for beef in the Mideast at present is the expatriate population with French beef so far being the preferred kind.

Assistant Secretary Bell discusses

USSR-East European Grain Market

THE GROWING market in the USSR-East European region has played a key role in the dramatic expansion of world grain trade during the past several years. At present, we expect world trade in grain, excluding rice, during the 1975/76 marketing year to total nearly 155 million metric tons. If attained, this would exceed the record level established during the 1973/74 marketing year by almost 5 million tons. It would be some 40 percent above the level of 5 years ago when world trade in grain amounted to 110 million tons.

Practically all of the increase in world trade of grain during the past 5 years has been accounted for by exports from the United States. During the current 1975/76 marketing year, U.S. exports of grain, excluding rice, are expected to be more than 80 million tons. If realized this would be double the amount exported 5 years ago. This marketing year the United States is expected to supply more than half the grain moving in world trade, including about 55 percent of the feedgrains and 50 percent of the wheat.

A number of factors are responsible for the growth in world trade in grain and the corresponding expansion in American grain exports during the past 5 years, but none have been more important than the changes that have taken place in the Soviet Union and the other centrally planned economies of Eastern Europe. The emergence of the USSR and Eastern Europe as a major grain-importing region has been the most dynamic element in world trade during the past 5 years.

At the beginning of this decade, the USSR-East European region was about self-sufficient in grain. In fact, in the late 1960's, it was a net exporter of grain with Soviet exports generally more than offsetting the import needs of the East European countries. In 1969/70, the USSR-East European region had a net export surplus of about a million tons of grain.

In 1970/71, exports and imports were about in balance. In the 5 years since then, however, the region has shifted to become a large net importer of grain, rivaling the European Community and Japan as grain importers.

During the 5 years from mid-1971 through mid-1976, we estimate the USSR-East European region will import nearly 120 million tons of grain—an average of nearly 25 million tons a year. Net imports during the 5-year period are estimated at 87 million tons, or an average 17 million tons a year.

Weather has undoubtedly played a major role in the dramatic shift of the USSR-East European region from a net export to a net import basis. After all, the USSR has suffered two huge shortfalls in grain production during the past 4 years—first in 1972 and again in 1975.

Just as important as weather has been the shift in economic policy in the USSR-East European region, whereby greater emphasis has been put on the production of consumer goods, including food.

The 1971-75 period coincides with the 5-year plans of the centrally planned economies of the USSR and Eastern Europe. All the 5-year plans covering the 1971-75 period have put a greater emphasis on consumer goods and food availability.

THE SHIFT in emphasis goes back to the 1970 riots in Poland. At that time, it became apparent to the Communist leaders that consumer needs would require more attention if political stability was to be maintained in the region.

The Soviet 5-year plan for 1971-75 includes ambitious goals for livestock production as well as increases in per capita consumption of high protein foods, namely meat, milk, and eggs. Per capita meat consumption alone was to be increased about 25 percent during the 1971-75 period. Similar goals have been established in other East European countries.

Once goals of this nature become locked into a centrally planned economy, it becomes imperative that substantial strides toward the goals be achieved if political stability is to be maintained. Therefore, achievement, or near achievement, of the goals becomes necessary almost at any cost.

This is pretty much what has been happening in the USSR-East European region. The region has been importing grain and protein meal in order to attain goals for livestock production and per capita consumption of high protein foods.

Once prospects for an improved diet have been raised, it becomes difficult to persuade people to lower their expectations. Therefore, the USSR-East European region probably will be a substantial net importer of grain for years to come—very likely on a permanent basis.

UNITED STATES policy over the past several years has recognized the emergence of the USSR-East European region as a developing market for U.S. grain. The 1972 grain agreement with the USSR was designed to foster the development of the USSR as a market for U.S. grain. It was basically a credit agreement whereby the United States agreed to extend short-term commercial credit to the USSR to open and establish a market for U.S. grain in the Soviet Union.

The credit agreement was carried out, and, subsequently, similar credits were extended to other countries in Eastern Europe. We now have established markets for U.S. grains, oilseeds, and oilseed meal in several East European countries.

The 1975 long-term grain agreement with the Soviet Union is a further evolution of U.S. policy aimed at developing and fostering trade in U.S. grain and other U.S. agricultural commodities with the USSR-East European region.

Under terms of the agreement, the Soviet Union is committed to purchase a minimum of 6 million metric tons of wheat and corn annually for a 5-year period beginning October 1, 1976. An additional 2 million tons may be purchased each year without Government-to-Government consultations; however, these quantities could be reduced if the total estimated U.S. grain supply is less than 225 million metric tons. If the Soviet Union wishes to purchase U.S. wheat or corn in excess of 8 million

Continued on page 16

Remarks by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, at the Annual Crop Production Conference of the Crop Quality Council, Minneapolis, Minn., November 4, 1975.

First Latin American Meeting On Soy Protein Held in Mexico

How to use the multipurpose soybean to enrich diets in Latin America came into the spotlight last month, at the first Latin American Soy Protein Conference.

Held at Mexico City November 9-12, the conference was sponsored jointly by the Foreign Agricultural Service and the American Soybean Association (ASA). It drew some 300 delegates from 22 countries, providing wide-ranging viewpoints encompassing the interests of producers, consumers, tradespeople, teachers, and scientists. Participants included one government nutrition expert from each Latin American country under sponsorship of FAS-ASA, while among the speakers were leading officials and scientists from both Latin America and the United States.

In addition, an exhibit area gave participants the chance to see and sample various soy protein products manufactured in the United States and Mexico.

The conference caps a wave of interest in soybeans for food—a use common in the Orient for 2,000-3,000 years but only now attaining popularity in the Western world. Technology paved the way for this breakthrough, creating a soy protein that could masquerade as virtually any food common in Western diets, while soaring production has made the soybean an abundant and economical product.

As the world's largest soybean producer—with a 1975 crop estimated at 1,520 million bushels—and leader in soy protein technology, the United States has a big stake in this product's future, as does that formidable Latin American producer, Brazil. So far, soy protein represents only a fragment of the total U.S. soybean crop—about 1 percent. But with its market projected to grow by 25 percent annually, reaching $110 million by 1980, the U.S. soy protein industry is definitely on the rise.

Opening the conference, Gerald Michaelson, ASA Vice President and Chairman of Market Development, said that soybeans provide an efficient and economic source of protein, well suited to supplement the carbohydrate-heavy diets typical of Latin America. The United States, as an efficient soybean producer, would be a logical source of soy protein, he continued, while Latin America, as an efficient producer of cereals, would be an economical source of the carbohydrates.

The conference keynote speaker, Ambassador Clayton K. Yeutter, Deputy Special Representative for Trade Negotiations, stressed U.S. progress in developing soy protein products and the products' potential in other parts of the world. He said that soy protein should appeal both to people who can afford meat and those who cannot: "Plant protein must no longer be considered a poor man's substitute for animal protein . . . it is not an artificial additive." He underlined this by stating that a pound of soy protein provides "more protein impact" than a pound of animal protein.

The intensive 3-day meeting touched on all aspects of soy protein use, revolving around four general areas of discussion: Available soy products; soybean's role in the socio-economic development of Latin America; educational aspects for the use of soy in human foods; and the processes and machinery for the manufacture of soy products.

These discussions disclosed that—

- Latin American nations are interested in using soy protein as a nutritious supplement to their diets;
- Soy protein faces few actual food and health roadblocks but is subject to general regulations requiring registration of food products and adherence to sanitation laws;
- Soy protein is already being used in a number of countries and will enjoy further growth as researchers develop additional uses;
- To attain their goal of reducing malnutrition, the Latin American governments must support and encourage nutritious feeding programs.

Dr. Aaron Altschul, Assistant Dean for Curriculum of Georgetown Medical School at Georgetown University, Washington, D.C., closed the conference with a speech cautioning that malnutrition is dealing with human issues and technology alone cannot solve the problem of hunger. Dr. Altschul strongly emphasized that success in eliminating hunger is heavily dependent on the attitudes of Latin American governments. If these governments encourage research, development, and investment, much progress can be made, he said, pointing out the U.S. consumption breakthrough that followed USDA's decision to use textured vegetable protein in U.S. feeding programs.

That action, he said, verified the dominant role the governments can play in bringing about change.

The Latin American conference is the first in a series of followup meetings to the first World Soy Protein Conference, which was held in Munich, West Germany, in November 1973 under ASA sponsorship. That conference catalyzed world interest in soy protein products and launched wide-ranging efforts to promote their use.

With a population estimated at 296 million and expanding by nearly 3 percent a year—the fastest regional growth rate in the world—Latin America seemed an ideal place to begin these regional conferences, focusing on feeding the world's ballooning population. At the same time, gradually rising incomes and improving living conditions give this region hope for improving the lot of its people.

Perhaps soy protein can provide some of that improvement by enriching diets and helping overcome the malnutrition chronic in areas of Latin America.

—By Sharon L. McClure, FAS

Egypt's 1975/76 Cotton Crop Worst in 20 Years

Egypt's first official 1975/76 estimate places cotton production at 1.8 million bales, 11 percent less than 1974/75's and the smallest crop in nearly 20 years. The decline results from lower yields and a 7.4 percent reduction in area, as many farmers switched from cotton to corn and forage.

Indications are that area officially allocated to cotton in 1976/77 will fall 200,000 acres below the 1975/76 allocation of 1.56 million, not all of which was planted to cotton because of farmer unhappiness over low producer prices. Exports could reach last season's total of 840,000 bales, but value will decline since recently established official export prices are nearly 20 percent below last season's.

Canada To Require Bilingual Labeling of Imported Foods

CANADIAN LEGISLATION—at both Federal and Provincial levels—requiring bilingual labeling of imported and domestic products is raising a number of important questions for U.S. exporters of agricultural products to Canada.

A Federal law, calling for bilingual labeling of consumer food packages by March 1, 1976, may now be extended to all levels of trade, including shipping cartons. Quebec Province announced in late August that all labels must be either bilingual or in French by January 1, 1976.

Because of the wide-ranging effects of these laws on U.S. shippers, particularly of fresh fruits and vegetables, U.S. Agricultural Attaché Clancy V. Jean has consulted with Canadian officials to clarify the scope of the new requirements. He describes the situation as follows:

The new labeling requirements are an outgrowth of recent Federal legislation declaring Canada a bilingual nation, he explains. Laws in the Province of Quebec have designated French as the official language there.

"This, in itself, is not a cause for concern," says Jean. "Every nation has its official language and some have more than one. But no country requires use of **all** of its official languages in labeling, especially on wholesale cartons, as now may be the case in Canada."

On the Federal level, Jean continues, Canada's Consumer Packaging and Labeling Act of 1972 dictated that all nonfood consumer packaged items be labelled in English and French by September 1975. Consumer food items must comply with the bilingual labeling regulations by March 1, 1976.

Because of ample lead time, complete instructions, and initiation of a label approval system, these deadlines can be met without great difficulty, Jean says. Under the Law, each language must appear in equal prominence on the label. Trademarks and brand names need not be translated, but all other information, including ingredients, must be in both languages. Further, the weight or volume must be shown in metric equivalents.

Some months ago, however, reports began to emerge that these bilingual labeling regulations would be extended to include wholesale shipping cartons. In other words, bilingual labeling would be required at all levels of trade. Reportedly, this would also be effective March 1, 1976.

As the U.S. Embassy pursued this question, says Jean, it became increasingly evident that such proposals were being given serious consideration. In fact, some regulations had already been amended to this effect.

As yet, he continues, Canadian officials have not been able to provide either their own industries or their trading partners with specific information on the upcoming requirements.

"The U.S. Government had advised the Government of Canada of its concern over the necessity of requiring bilingual labels at all levels of trade," he explains. "In addition, the U.S. Government has stated that the absence of clearly stated requirements has prevented it from advising U.S. shippers as to what will be required.

"At present, the situation is under review by the Government of Canada. We expect that the March 1 date will be abolished. We are uncertain as to the final disposition of the basic question—whether or not wholesale shipping cartons will need to be labeled in other than English."

The Quebec labeling regulations, which grow out of "Bill 22," the Province's official language act, require that all labels must be in French by January 1, 1976. If a label is in any other language, French equivalents must appear with at least the same degree of prominence.

A number of questions on Quebec's labeling regulations have been raised by the U.S. Government and submitted to the Canadian Government's Department of External Affairs. In addition, some U.S. shippers have raised questions and submitted comments directly to the Quebec Government.

High on the list of U.S. concerns is the effect on shipments of fresh fruits and vegetables, which are heavy in the winter months. Jean estimates that about $100 million worth enter Canada annually through Quebec entry points. Canadian importers have had free access to the U.S. distribution system, he says, purchasing fresh produce either directly from the production area, from "roller" freight cars where produce is sold en route, or from major wholesale auctions such as New York and Boston.

Faced with the upcoming Quebec regulations, U.S. shippers have three options:

- Convert all shipping cartons to bilingual labels;
- Pack especially for the Quebec market at points of origin and make sales and shipments directly to Quebec importers; or
- Ignore the regulations and run the risk of losing the market.

"When these regulations were first announced in late August," Jean says, "some observers viewed them as impractical—after all, where else can Quebec get fresh lettuce in the winter months. Certainly few, if any, U.S. shippers will have shipping cartons that will be in compliance by January 1.

"PRAGMATICALLY, there may be merit in such conclusions," he suggests. "However, such pragmatism overlooks the legality of Quebec's law and the strong convictions of the Quebec Francophones (a person whose mother tongue is French)."

The proposed regulations also list exceptions to required use of French. They exempt industrial items that are to be processed into finished products. According to Jean, the United States has sought a decision on bales of raw cotton and bulk tobacco. Cotton is not a food commodity, he says, but is it industrial or agricultural? Bales of synthetic fibers would appear to be classed as industrial and hence would be exempt.

The Quebec regulations also refer to certain documents that must be in French—or bilingual. The United States has asked if this includes official U.S. inspection certificates or, in the case of purebred livestock, official breed registration certificates, says Jean.

While Canada's Federal Government has a procedure for approving bilingual labels, the Quebec Government so far has not offered such a service. Quebec will not necessarily accept labels that have been approved by Federal authorities in Ottawa.

British Find Adjusting To EC Food Laws Difficult

By LARRY E. STENSWICK
Assistant U.S. Agricultural Attaché
London

BRINGING its food laws in line with EC regulations is proving to be one of the more difficult tasks confronting the United Kingdom as it adjusts to full European Community membership. This shift, in turn, has important implications for U.S. agricultural exporters, as one more country comes under the growing umbrella of EC food laws, some of which serve as effective barriers against U.S. entry into Community markets.

In many cases, the British approach to protecting consumers has been quite different from that of the EC, and future legislation will have to reflect practices in other EC countries. This is especially true in the case of pesticide and meat-hygiene legislation.

The United Kingdom, however, is not likely to give in on all points and already has infused a tone of compromise into heretofore European-oriented food-law proceedings. And with consensus a requirement in most EC food law actions, the British can be expected to have a strong voice in the evaluation of future Community food regulations.

One of the most striking differences between U.S. and other EC Members' laws is in the area of pesticide residues.

The United Kingdom has no statutory tolerance limits on pesticide residues, except for arsenic and lead. Enforcement of pesticide regulations is in the hands of local health inspectors; they, in turn, are aided by central Government laboratories, under stipulations of the Food and Drugs Act of 1955, which prohibits the sale of food injurious to public health. An extensive testing program uses total diet surveys, human food studies, and individual pesticide testing.

Guidelines do exist and are generally in line with Codex Alimentarius recommended tolerances and standards, but are used at the discretion of local inspectors. Port health inspectors check incoming cargoes for pesticide residues.

Domestic use of pesticides is cleared for safety under the Pesticides Safety Precaution Scheme (PSPS), introduced in 1955. This is a voluntary program which —although not backed by legislation—works well owing to the good relationship existing between the U.K. pesticides industry and the regulatory Government agencies.

These U.K. pesticide regulations contrast sharply with German practices, which involve elaborate testing programs and statutory tolerance levels (See *Foreign Agriculture*, April 14, 1975). Also, EC regulations under consideration on pesticides would set down specific tolerance levels, first for fruits and vegetables, and would require substantial monitoring to ensure that tolerance levels are met.

The British are generally opposed to setting tolerances because of enforcement difficulties, the greatly added expense, historical differences in farming practices, and the near-impossibility of achieving EC-wide agreement on tolerance levels. In fact, as yet, no EC agreement has even been reached on the definition of a tolerance.

The outcome of these internal EC debates will have far-ranging effects, not only on British and other EC practices, but also potentially on U.S. farm trade: The United Kingdom alone was a market for $583 million worth of U.S. farm products in fiscal 1975.

MEANWHILE, EC poultry and meat hygiene regulations are having the greatest immediate impact on U.K. agriculture.

On September 1, 1973, following its entry into the European Community, the United Kingdom amended its Imported Food Regulations of 1968 to implement requirements of EC Directive 64/433 on health problems affecting intra-EC trade in fresh meat and EC Directive 71/118 on health problems affecting trade in fresh poultry meat.

As a result of the differences between U.K. standards for the domestic market and those for the EC, only about 53 of the 1,672 slaughterhouses in England and Wales are approved to export fresh meat to other EC countries. Moreover, implementation of some EC practices is proving difficult, with substantial new construction and alterations of premises necessary.

Also, ante mortem and post mortem inspection under EC rules for meat entering intra-Community trade must be carried out by full-time veterinarians—a requirement that has contributed to staff shortages. The staff shortages, in turn, have caused delays in approving plants.

The Ministry of Agriculture, Fisheries and Food (MAFF) took over the responsibility for poultry meat hygiene from the Department of Health and Social Security late in 1972. To comply with the EC directive, the MAFF has had to establish a veterinary inspection service from scratch. This had been handled previously by public health officers in the United Kingdom employed by local councils.

Poultry slaughterhouses must now comply with Directive 71/118 to engage in intra-Community trade, and thus far, only one poultry plant has been approved to export. But the most formidable task is still ahead, since all poultry slaughterhouses in the United Kingdom must comply with the Directive standards by February 1, 1976. To meet these standards, the poultry industry may have to invest $20-$30 million over the next 2 years in plant conversions and construction.

In turn, U.S. exporters have been affected by the requirement that poultry plants shipping products to the United Kingdom must comply with EC regulations. Since the regulations were first implemented on February 1, 1974, 24 U.S. plants (mainly turkey plants) have been approved to ship to the United Kingdom.

In other areas, the impact of EC membership is less evident.

The country's primary health law is the Food and Drugs Act of 1955, which prohibits the addition to food of any substance injurious to health. It also prohibits misleading labeling of food and makes selling unsound food an offense.

Under this umbrella law, a second tier of statutory regulations spells out the specific requirements, which—unlike primary legislation—are automatically passed by Parliament. *The Labelling of Food Regulations (1970)*

defines how food must be labeled. *The Food Standards (General Provisions) Order* (1944) deals with standard composition of certain foods. And a number of other regulations control the composition and labeling of particular foods, such as bread, butter, canned meat, cheese, coffee, condensed milk, cream, fish and meat spreads, ice cream, margarine, meat pies, salad dressing, sausage, soft drinks, and dried milk.

Four important regulations also deal with additives and contaminants in food:

- *The Antioxidant in Food Regulations (1974)* lays down a list of permitted antioxidants and purity requirements, specifies their use in food, and gives labeling requirements.
- *The Coloring Matter in Food Regulations (1973)* contains a statutory list of permitted food colors.
- *The Preservatives in Food Regulations (1974)* lists permitted preservatives, defines maximum amounts, and sets labeling requirements for specific foods.
- *The Miscellaneous Additives in Food Regulations (1974)* contains a permitted list for 13 classes of food additives and limits their use to particular foods.

Health aspects of foods are also controlled under the *Imported Food (amended) Regulations (1973)*, which contains measures for the protection of public health in relation to imported food.

EC marketing standards specifying grading and labeling have been codified into British law in the area of eggs, certain fresh fruits and vegetables, and wine. Apart from these, no EC-wide food standards exist, although progress is being made toward reaching agreement on some products—cocoa and honey are expected to come under regulation next.

BECAUSE UNANIMITY is required, formulating these standards is a long drawnout process. Moreover, British membership appears to be moving the EC toward less specific rules, involving establishment of standards for intra-Community trade with options for continuation of local practices. For example, original draft regulations would have prohibited growing of seed-type hops required for the British pint of bitter, but under modified regulations, this tradition will be allowed to continue in the United Kingdom.

The outcome of such internal EC discussions will affect the whole series of proposed regulations.

In the United Kingdom, these proposed changes in food standards are funneled through two professional technical committees: the Food Standards Committee and the Food Additives and Contaminants Committee. These two committees meet regularly, and the Secretariat is provided by the MAFF. Somewhat analogous to the U.S. *Federal Register*, they regularly solicit public views on matters currently under consideration, including proposed changes to existing legislation.

Accordingly, the Agricultural Attaché's Office in London has established an "early warning system" so that U.S. food producers can have an input into decisions that may affect them. Notices of comment solicitation from the two committees are sent to FAS/Washington, where, if necessary, individual commodity groups and/or companies will be notified and informed of proposed changes. These notices are also brought to the attention of the U.S. food industry through items in "Export Briefs," and other USDA publications. Recent requests for comments have covered such areas as proposed food standards for cocoa and chocolate products, a review of solvents in food regulations, U.K. food standards review of infant foods, amendments to labeling regulations, and the deletion of orange RN from the permitted list of coloring matter.

Poland Reports on 1975 Plan Progress

The Polish Government, in reporting the progress made during the first 6 months of its 1975 Plan Year (January-June), said that the condition of most crops was satisfactory, although good weather in the spring only partly made up for losses incurred in the fall of 1974.

The hay harvest began earlier than usual under favorable conditions, except in the southeast, where excessive precipitation hampered work. Area sown to barley, rape, and sugarbeets expanded substantially at the expense of rye, wheat, and potatoes. Government purchases of agricultural products were 2 percent greater than in the same period a year earlier.

Carried in the Warsaw press, the Government's report said that the June cattle census showed that—except for the swine and horses—livestock numbers increased. Overall, the cattle population was up 2 percent; the sheep 4.5 percent; while swine and horse numbers dropped 0.7 percent and 3 percent, respectively.

In the State farm and cooperative sectors, cattle were up 6 percent, swine, 24 percent, and sheep, 16 percent. Cattle on private farms increased 1 percent, sheep about 2 percent, and swine decreased about 5 percent.

Polish farmers bought 22,600 tractors during the 6 month period, bringing the total number to 380,000, 4 percent greater than the June 1974 figure. Total value of sales of machinery to farmers and State farms rose 13 percent.

Fertilizer, used at the rate of 180 kilograms per hectare (1 kg=2.2 lb; 1 ha=2.471 acres), was up 4 percent, in terms of nutrient value. Certified grain seed supplies totaled 576,400 tons, 5.3 percent above those available in January-June 1974. Supplies of seed potatoes were down 4.4 percent.

Construction materials supplied to rural areas, although up 9 percent, were still considered insufficient by the Government. Credits to farmers were up Zl-9.2 billion, for a total of Zl-79.7 billion. (Zl-19.92 = US$1, commercial rate).

In foreign trade, Polish exports of agricultural products were down 26 percent; those of food industry products were 9 percent less. Imports of food industry products were up 16 percent. A substantial increase was reported in imports of raw materials for fertilizer production, potash fertilizers, plant protection chemicals, wool, concentrated feeds, rice, tea, and cocoa beans.

Living costs in Poland increased by 2 percent because of higher prices for foods and some services, although deliveries to the domestic market of meat, poultry, poultry and meat products, butter, milk for direct consumption, cheese (including cottage cheese), eggs, sugar, spirit products, and cotton and cotton-like fabrics were greater in the 6-month period of 1975 than in the same period of 1974. Despite the increase in meat and poultry deliveries, the amounts supplied did not satisfy the demand.

—Based on report from
Office of U.S. Agricultural Attaché
Warsaw

Indonesia's Rising Incomes Strengthen Demand for Meat

BEEF CONSUMPTION in Indonesia is increasing significantly, largely as a result of rising personal income generated mainly by the country's booming petroleum export trade.

However, the country's cattle numbers are declining in the face of this expanding consumer market as slaughterers seek to supply demand with meat from native livestock herds.

The Government is concerned that continued shrinkage of Indonesia's cattle-people ratio will eventually erode nutritional levels unless steps are taken to replenish the diminishing cattle numbers.

Another problem of growing concern is the country's Livestock Act, which forbids the sale for slaughter of any large animal except old or unproductive stock or poorly bred males. Livestock economists advocate the sale of livestock at marketing age in order to shorten the production cycle and allow higher frequency of stock replacement as well as more efficient utilization of the available feed supply at a constant-size herd.

Any plans to improve Indonesia's beef production thus must necessarily be directed both at improvement of traditional livestock farming as well as of commercial, market-oriented livestock farming and on substituting domestic meat supplies for the imported meat now purchased by some consumers.

Rice is still the people's main source of nutrition. Per capita consumption of animal protein from meat, milk, and eggs in 1972 was 2.35 grams per day. The Government's intention was to provide 5 grams of animal protein per capita per day by 1974, but this goal was not met.

The dairy cattle industry in Indonesia has made significant progress in the past 5 years, and cattle numbers have grown at a rapid rate.

Material in this article is summarized from published reports by Professor Didi Atmadilaga of the University of Padjadjaran, Indonesia; Professor Dale K. Sorensen of the University of Minnesota; and the USDA Economic Research Service.

Milk production increased 37 percent in the past 5 years, and the value of imported condensed and dried milk increased from $6.3 million in 1968 to $11.5 million in 1971. Per capita consumption of milk increased from 0.84 liters in 1968 to 1.89 liters in 1972—a significant gain.

Egg production, an even more important source of animal protein for human consumption, increased markedly during the 1968-73 period, and the increase appears to be the result of the introduction of imported or improved breeds of chickens and a larger number of ducks.

The poultry industry is making rapid progress, and its expansion exceeds that of the livestock industries. Importation of improved Western breeds of chickens has had a significant impact on that recent development of the industry, particularly as it relates to meat production.

Egg production is still primarily from ducks, although the imported breeds of chickens are increasing total egg production. The poultry and duck industry probably will continue to contribute greatly to the expanding supplies of animal protein for Indonesia.

The predominant breed among Indonesia's dairy cattle is the Holstein, originally introduced by the Dutch. The number of dairy cattle has almost doubled during the past 5 years. Herds range in size from one to 150 head, but more than half the milk produced comes from herds of one to four cows. Although commercial-size herds range from 10 to 150 head, most of these herds consist of 10 to 30 animals.

Average milk production per cow during production peaks—3 months after calving—ranges from 4 to 25 liters (8 to 50 pounds) per day, with 10-11 liters per day considered profitable. Output of 4-6 liters per cow per day is necessary to cover feed costs.

On an annual basis, milk production ranges from 1,000 to 3,300 liters, with an approximate average of 2,000 liters (4,000 pounds) per year.

Many factors contribute to limited milk production in Indonesia. Genetic improvement is needed. Holsteins have in many instances been crossbred with Zebu cattle, which are not noted for a high level of milk production. The level of nutrition provided is a serious limiting factor, and milk production could be increased considerably by better feeding practices.

The cattle breeding program is another serious limiting factor. Frequently, only half the cows are producing milk, and the calving interval is excessive.

Most Indonesian livestock farmers lack the time and knowledge necessary for effective marketing of their livestock. As a result, one or more middlemen are needed, although their services appear to increase the total marketing cost at the expense of the consumer and the farmer.

Another disadvantage is that the middleman does not pay the farmer (at best, only advance money) until the animal is sold to the butcher, who, in turn, does not pay the middleman until the second delivery.

As a result of these practices, the farmer receives only 40-45 percent of the price, compared with 55-60 percent for various marketing costs. Shortening the marketing chain between farmer and consumer would reduce marketing costs, increase farm gate prices, and benefit consumers through lower prices.

Foreign investment in beef cattle ranching has been encouraged as a pioneering enterprise that could have a multiplying effect—more employment opportunities for local people, expanded foreign currency earnings, and better preservation of resources in the ranch areas. Among the existing breeds in Indonesia, Bali cattle are the most recommended for beef production.

The potentials for both the traditional and commercial sectors of Indonesia's livestock industry can be exploited to a greater extent. In the traditional sector—particularly on Java—attention should be given to increasing the carrying capacity of the land through selection of the appropriate cropping pattern within the framework of improved multiple cropping that will provide by-products of better quality for feed.

For the outer islands, an effective pasture development and pasture management system should be carried out to increase the carrying capacity of land and to prevent problems resulting from overgrazing and undesirable weeds and shrubs. Wells and water reservoirs should be developed to a greater extent for drinking, spraying, and irrigation.

In both regions, the sex ratio and age structure of the cattle population should be studied with regard to improving the balance of the cattle population. The ratio between males and females has become too narrow in some areas—an excessive number of females slaughtered and too many males reserved, even allowing for holding some males for work or transport animals. Selling livestock at marketing age rather than at unproductive advanced age, as is now required, would expand both domestic and export sales.

The long-term trend in Indonesia's cattle population is a positive one. Although there was an apparent downward trend in animal numbers in the period 1968-72 and a decline in the cattle-people ratio, cattle production in terms of numbers of animals slaughtered and exported increased gradually. These trends emphasize the need for greater attention to the excessive slaughter that has taken place at the expense of the growth rate of the cattle population as well as the gap in the country's total protein needs that will become wider as the human population expands and cattle numbers decline.

U.S. Sold First Cattle to Indonesia in 1974

The United States made its first export sales of cattle to Indonesia in 1974, and while the sales were small, they represent a breakthrough for U.S. livestock exporters into a market previously serviced entirely by Australia. There has been a continuing element of interest in possible further sales.

A recent study of the Indonesian market conducted by the Foreign Agricultural Service and the National Association of State Departments of Agriculture indicates that Indonesia is a potential market for Brahman, Charolais, Santa Gertrudis, and Holstein breeding cattle, as well as for a variety of other commodities and food products ranging from dairy products to diet foods.

The Indonesian market, which could number 25-30 million consumers within 3-5 years, derives most of its economic strength from the wealth the country is now accruing from exports—especially oil.

Left: Indonesian livestock breeding farm worker shows Ongole breeding bull. Above: Bali cattle are loaded on shallow-draft transport for inter-island shipment. Indonesia is encouraging foreign investment in beef cattle ranching.

CROPS & MARKETS

—GRAINS • FEEDS • PULSES • SEEDS—

Argentine Wheat Prospects Improve. The Argentine wheat crop is now forecast at 8.4 million tons (up from 7.4 million) and if favorable conditions continue the level could go higher. At the 8.4 million-ton level, the exportable supply could reach about 4 million tons. This could cause a problem in export handling facilities, which could become more serious by March-April, when bumper harvests of corn and sorghum also are expected.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 24	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.32
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.33	−10	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	4.87	−3	6.23
U.S. No. 2 Hard Winter: 13.5 percent	4.61	−12	5.99
No. 3 Hard Amber Durum	5.63	−12	8.08
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.91	−9	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.00	−2	4.04
French Maize [2]	3.19	−1	(1)
Argentine Plate corn	3.50	−10	4.47
U.S. No. 2 sorghum	2.96	−14	4.17
Argentine-Granifero sorghum	3.03	−13	4.28
U.S. No. 3 Feed barley	3.17	−2	3.85
Soybeans:			
Brazilian	5.29	−15	(1)
U.S. No. 2 Yellow	5.08	−20	7.90
EC import levies:			
Wheat	1.16	+7	0
Corn	1.09	+1	0
Sorghum	.97	+2	0

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

PRC's Winter Wheat Planting Shortfall. Planting of 1975/76 winter wheat in the People's Republic of China apparently has fallen short of goals for expanded area and also is below the level planted for 1974/75. Drought in some regions and excessive rain in others have restrained acreage.

U.S. Wheat, Corn Exports to USSR. U.S. wheat and corn ship loadings to the USSR during the 10-week period September 1-November 7 are preliminarily estimated at 3.1 million metric tons. Average weekly wheat loadings increased from 153,000 tons in September to 227,000 tons in October, while average weekly corn loadings jumped from 23,000 tons to 222,000 tons. The October loading rate of 1.8 million tons per month is an annual rate of 21.6 million tons.

Shipments of grain from other origins to the USSR also are proceeding rapidly. Sources such as shipping industry publications indicate that reported loadings since September 1 from all non-U.S. origins now total at least 1 million tons, including more than 500,000 tons from Canada, about 200,000 tons from Brazil, nearly 200,000 tons from Australia, about 75,000 tons from Argentina, plus additional quantities from France and Holland. Actual shipments are believed to be somewhat larger, since not all loading activity is covered by available sources. Available data alone represent a monthly rate of more than 300,000 tons from non-U.S. origins. When added to the October rate of 1.8 million tons of loadings from the United States, this volume would indicate at least 2.1 million tons per month, or more than 25 million tons on an annual basis.

EC Sells Egypt Wheat. The European Community is working on a sales agreement with Egypt involving 1 million tons of wheat (about one-fifth as flour) for shipment in 1976. Sales would be at the world market price through private trade channels, except that there would be an assured minimum price to benefit the EC and an upper limit for the protection of Egypt.

Italian Traders Concerned Over Grain Premium. The Italian Cereal Traders' Association is concerned that a 15 percent intervention price premium for soft bread wheat over feed wheat may reduce Italian consumption and that the proposed increase in European Community grain prices for 1976 may favor grain production in other EC countries and their beef exports to Italy. The association wants the EC to continue the current levy discount that compensates for higher freight and unloading costs of feedgrain imported by sea. On August 1, the discount was reduced from 4.5 units of accounts (u.a.) to 3 u.a. (about $3.86) per ton. Under EC regulations, the discount is to be reduced to zero by August 1, 1977. The levy then will be the same whether the grain is imported by land or sea.

European Community's Smaller Grain Crop. Preliminary estimates of grain production in the European Community during 1975 indicate a crop of nearly 10 million metric tons below the previous year's record level of 107 million tons. Major part of the decline was in wheat, which is now estimated at nearly 7 million tons below the previous year's output.

Grain usage for animal feed this season is expected to remain unchanged from the level of 1974/75. In spite of this year's larger production of feed-quality wheat—primarily in France, West Germany, and the United Kingdom—wheat feeding is expected to decline somewhat as poor economic conditions continue to restrain retail demand for fed-livestock end products.

Estimated supplies on hand at the beginning of the current marketing season were nearly 5 million tons below those of a year ago, and it is expected that increased imports, a decline in exports to third-country destinations, and a drawdown in stocks will be required to maintain consumption levels.

Asian Rice Prospects Favorable. Reports from a market survey as of late October-early November indicate that paddy rice production prospects continue favorable in nearly all of

eastern and southeastern Asia, with the 1975 crop expected to exceed last year's record outturn by 4-5 percent. Although old-crop export supplies appear ample, very little buyer interest is reported, as excellent harvests and good stocks positions have permitted importers to wait in hope of further downard price adjustments.

In Taiwan, although the second crop has been touched by several typhoons, 1975 production is expected to top 3.3 million tons (paddy), 100,000 tons above last year's outturn. In the Philippines, unless typhoons strike during the next 4-6 weeks, the crop will be a record. In Indonesia, the 1975 crop (now 90 percent harvested) continues to be estimated at about 25 million tons (paddy), 5 percent above last year's outturn. In Burma, this year's rice production is now put at 8.725 million tons (paddy), up 144,000 tons from that of 1974. In Thailand, this year's harvest (both crops) is expected to exceed 15 million tons, up by 500,000 tons.

Cold Weather Hits USSR Grains. Colder-than-normal weather over most parts of the USSR during the first 10 days of November has increased concern for winter grain crops in some important areas. Vegetative growth of winter grains has now ceased in all parts of European USSR except in Moldavia and the extreme southwestern part of the Ukraine.

The abnormally low temperatures, coupled with lack of plant vigor and insufficiently developed stands resulting from inadequate precipitation in some important winter grain areas, now place the crops in those areas under additional stress that could weaken the plants' ability to survive during the winter.

Winter wheat is the most important winter grain in the USSR, annually contributing some 40-45 percent of total wheat production. Winterkill normally averages 15-17 percent of the area sown to winter grains. Although winter grains that fail to survive the winter are usually resown in the spring, the yields of spring-sown crops are generally lower than those of winter-sown grains.

EC Eliminates Grain Export Levies. European Community levies (taxes) on grain exports were removed as of November 7, 1975. Simultaneously, export subsidies were fixed at $10.16 per metric ton for wheat and $6.35 per ton for barley for EC shipments to Switzerland, Lichtenstein, and Norway. The export subsidies remain at zero for other destinations.

U.S. Imports of Australian Beef Barred. USDA on November 20 barred further imports of Australian meat—mostly beef—for the rest of calendar 1975. The action was taken when U.S. imports of Australian meat reached 638.5-million-pound level called for in a bilateral agreement negotiated earlier this year with the Australian Government. The agreement—one of a series with supplying countries—was aimed at limiting total U.S. imports of meat subject to the Meat Import Law of 1974 to 1,180 million pounds for the year.

Argentine Cattle Producers Strike Again. Claiming that nothing had been done to improve their financial situation since their 10-day strike in September, Argentina's two largest farmer organizations directed their members not to buy, sell, or deliver animals to market for the 18 days preceding November 10. In September, export-type steers were selling at 8-9.80 pesos per kilo, on the hoof. One week later, the price ranged

Japan Increases Beef Quota. Japan recently set an additional 10,000-metric-ton general beef quota, bringing the total beef quota for Japan fiscal 1975 (April 1975-March 1976) to 55,013 tons.

DAIRY • POULTRY

EC Considers New Nonfat Dry Milk Price. The European Community reportedly is considering a new minimum sales price agreement on nonfat dry milk with Australia, New Zealand, and Canada. An earlier agreement setting a minimum price of $630 per metric ton collapsed after the price was frequently undercut. Current EC export subsidies equivalent to 26 U.S. cents per pound permit exports priced as low as $530 per ton, although a somewhat higher price was claimed in mid-October.

Stocks of nonfat dry milk continue to be overwhelming. In the EC in October, they exceeded 1 million tons, in Oceania 200,000 tons, in Canada almost 100,000 tons, and in the United States 210,000 tons.

The EC approach toward a long-term solution of this surplus problem inclines toward expanded animal feed use of nonfat milk solids and liquid with the help of increased subsidies and somewhat increased food aid. In livestock feed uses, dried skim milk can displace vegetable protein feeds almost on a pound-for-pound basis.

EC Markets Accommodate to Butter Price Rise. Butter markets in the European Community have for the time being accommodated to a scheduled mid-September increase in intervention price. Despite the 7 percent price increase, intervention stocks through early October continued to decrease. Except in France and the United Kingdom, butter production for the remainder of 1975 in EC countries will likely slightly exceed that of last year. Yearend stocks will probably be above those of a year earlier, but well below present levels.

EC Increases Casein Subsidy. As of November 1, the European Community increased its subsidy for production of casein by 20 percent to the U.S. currency equivalent of $2.68 per 100 pounds of liquid skim milk used.

U.K. Dairy Self-Sufficiency Rates Shift. Poor pasture and feed conditions and diversion of manufacturing milk from butter to cheese were factors in the United Kingdom's declining self-sufficiency in 1974 for butter but increasing self-sufficiency for cheese. Both commodities bear consumer subsidies in the United Kingdom, and the Government's long-term policy is to become self-supplier of an increasing portion of these commodities.

For butter, the 1974 self-sufficiency ratio was 11 percent, compared with 22 percent the year before. Meanwhile, the percent of the butter supply provided by other European Community countries rose to 64 percent from 42 percent in 1973. New Zealand supplied 26 percent in 1974 and 30 percent the year before. Australian butter trade with the United Kingdom in 1974 was nil.

For cheese, the U.K. self-sufficiency rate rose in 1974 to 64 percent from 57 percent in 1973. At the same time, the proportion supplied by other EC countries also rose to 30 percent from 26 percent.

OILSEEDS • PRODUCTS

Lower Cottonseed Oil, Meal Output Seen. World production of cottonseed in 1975 is estimated at 23.8 million metric tons, down 1.9 million tons or 7 percent from 1974's estimated output of 25.7 million tons. Approximately half the expected decline reflects reduced cottonseed production in the United States. Sharp cottonseed production declines also are anticipated for Mexico, Turkey, and Iran—540,000, 180,000, and 100,000 tons, respectively.

World production of cottonseed oil during 1976 is forecast at 2.9 million tons, down approximately 270,000 tons from 1975's estimated output of 3.2 million tons. In 1976, exports of seed and oil (oil basis) are forecast to decline 9 percent to 385,000 tons from 1975's estimated trade volume of 425,000 tons.

World cottonseed meal production during 1976 is forecast at 8.5 million tons, down approximately 740,000 tons from 1975's estimated outturn of 9.2 million tons. Reduced supplies of cottonseed meal for export, lack of vigorous demand for feed by dairy and beef producers, and increasing competition from other oilseed meals are expected to depress world cottonseed and meal exports to a 15-year low of 850,000 tons (meal equivalent) in 1976.

Mixed Outlook for West African Peanuts. Commercial production of peanuts in Senegal is forecast at 870,000 metric tons (in-shell), of which 850,000 tons are for crushing and 20,000 tons for export or edible uses. The total is 18 percent higher than 1974's. However, production in Niger and Nigeria has been sharply curtailed by pest infestations and an epidemic of green rosette peanut virus. Niger's commercial peanut crop, which has ranged between 150,000 and 250,000 tons in recent years, is expected to be negligible this year. In Nigeria, commercial production is expected to be approximately the same as that of last year—225,000 tons—compared with production in excess of 1 million tons during the late 1960's.

USSR Harvests Good Soybean Crop. Preliminary harvest data for Amur oblast, the major soybean production area in the Soviet Far East, indicate a good soybean crop in the USSR. Amur oblast usually accounts for about two-thirds of the total Soviet soybean crop. The Soviets have stated they expected to procure about 390,000 tons of beans in Amur oblast this year. Since the Government normally procures about three-fourths of the soybeans produced, a total crop in that oblast of more than 500,000 tons is indicated, significantly greater than any recent crop. Amur oblast data earlier suggested a total Soviet soybean crop of about 750,000 tons. However, in view of this year's indicated acreage in relation to historic yields and the lateness of the present harvest, a crop closer to 500,000 tons is expected.

USSR Sunflowerseed Crop May Be Down. Harvest reports from the USSR indicate that the Soviets probably will produce no more than 5.5 million tons of sunflowerseed, and the total harvest may be as low as 5 million tons. The harvest season began somewhat earlier than usual, with good progress through the third week of September, when more than half the crop had been harvested, compared with 29 percent at the same time a year earlier. An October 27 report indicated that about 75 percent of the total planted area had been harvested. The onset of winter and poor weather during the growing season in areas remaining to be harvested suggest that these areas may have had crops not worth harvesting. Reports that sunflowers in some areas were cut early for silage tend to confirm this belief. A harvest of around 5.5 million tons of sunflowerseed would be well below the planned 7.4 million tons and last year's crop of 6.8 million tons, and about the same as 1972 production.

1975 World Flaxseed Production Up. World production of flaxseed during 1975 is estimated at 2.5 million metric tons, up 40,000 tons from the revised 1974 total of 2.46 million tons. The 1975 production increase is a result of expanded production in the United States, Canada, and India, which more than offset the expected Argentine production decline. World flaxseed/linseed oil exports are estimated at 252,000 tons (oil basis) in calendar 1975, with world linseed meal exports estimated at 605,000 tons (meal basis) for this period.

TOBACCO

Canada's Tobacco Prices Below Minimum. Flue-cured growers' prices for the 1975 Ontario, Canada, tobacco crop began below the minimum average of 94 Canadian cents per pound guaranteed by the Canadian Tobacco Manufacturers' Council. Auction markets opened October 27, 1975, and, with less than 10 percent of the crop sold, prices averaged below 90 Canadian cents per pound. Farmers reportedly were dissatisfied with prices, and on average hauled 12 percent of their leaf offerings back to the farm, hoping for an upswing as the auction season progressed.

Several factors are contributing to soft prices. Crop quality is reported to be below normal. Export buyers—particularly British—have not purchased the volume expected. The world flue-cured leaf shortage appears to have eased, as the 1975 world flue-cured crop may be 6 percent above 1974 production. (In the United States, the flue-cured crop is 14 percent larger than 1974's.)

Kuwait Requires Cigarette Warning. The Government of Kuwait will require a health warning printed on all individual cigarette packs beginning April 1, 1976. The warning, "Smoking is hazardous to health and we advise you to abandon it—Ministry of Public Health, Kuwait," must be printed in Arabic. The requirement does not extend to cigars or smoking tobacco. Kuwait was a market for more than $17 million worth of U.S. cigarettes in fiscal 1975.

EC Expands Some Flue-Cured Import Quotas. The European Community Council has expanded its 1976 Generalized System of Preferences (GSP) quotas for imports of flue-cured tobacco from developing countries to 38,000 metric tons (84 million pounds), up 27 percent over the 1975 level. India will be the major beneficiary, supplying about 70 percent of imports under the quota that provides for a reduction of the import duty from 23 to 10.5 percent ad valorem. Flue-cured leaf from India and other GSP-eligible producers is substantially cheaper than U.S. flue-cured, whose share of the EC import market has been declining in recent years. Imports under the quota are allocated among EC members, with the United Kingdom obtaining 65 percent of the total. The new

quota is a compromise imposed by the EC between the United Kingdom, which requested a 50 percent increase, and Italy, which opposed any increase.

British Test Burley in Cigarettes. The largest U.K. tobacco manufacturer—Imperial—has introduced a new filter cigarette—Embassy American—blended from flue-cured, burley, and oriental tobaccos. The attractions of using burley in the U.K. market are based on cost and the expected significant increase in the ad valorem element in tobacco duties when the transitional period for U.K. entry into the European Community is complete. The new blend will test smokers' acceptance of cigarettes containing leaf types that generally cost less than the high-quality flue-cured tobacco traditionally used in English cigarettes.

COTTON

U.S. West Coast Cotton Shipments Up. Los Angeles displaced Galveston during 1974/75 as the leading U.S. cotton port as total exports fell to 3.9 million bales, 2.2 million bales below the 1973/74 level. Galveston's dominance had been unbroken since displacing New Orleans in 1942/43. Liftings from West Coast ports duplicated the record 1.9 million bales of 1973/74. In contrast, shipments from Gulf ports dropped 56 percent below those of 1973/74 to 1.6 million bales.

September Exports of U.S. Cotton Up. U.S. raw cotton exports in September of 258,000 running bales were more than double those of a year earlier and brought the cumulative August-September total to 583,000 running bales, 51 percent above the same period last season. Higher September exports relative to last year's can be primarily attributed to shipments of previously contracted cotton to some Far Eastern ports. September shipments to Far Eastern ports of 238,000 running bales represented about 92 percent of September 1975 cotton exports, against some 60 percent a year earlier.

FRUIT • NUTS • VEGETABLES

Spain Subsidizes Citrus for Processing. Spain has budgeted 350-380 million pesetas to subsidize during the 1975/76 season the purchase of approximately 220,000 metric tons of fresh citrus fruit for processing. Prices to growers and the subsidies, in pesetas per kilo: Satsuma tangerines, 5.25, 1.50; White oranges, 4.50, 2.50; Navel oranges, 4, 1.40; Bitter oranges, 2.15, 1.50 (56 pesetas = $1).

Sweden Permits Pear Imports. Sweden opened its borders to pear imports on November 10. In 1974, the opening date was December 2. Imports are permitted to continue until July 1. In contrast to the surplus situation for apples, the European pear crop for 1975 was shorter than normal and undoubtedly influenced the earlier opening date in Sweden.

EC Increases Apple Export Subsidy. The EC Commission sharply increased its subsidy on export of fresh apples, effective October 29. The payment on shipments to certain countries in Africa, the Arabian Peninsula, and Iran was increased from 3 units of account (u.a.) per 100 kilograms to 10 u.a. (from about 72 U.S. cents per 42-lb carbon to $2.41), and the payment on shipments to certain markets in northern Europe (Iceland, Finland, Sweden, and Norway) and in Latin America (Brazil, Venezuela, Peru, and Panama) was increased from 3 to 5 u.a. per 100 kg (from about 72 U.S. cents per 42-lb carton to $1.21). The markets in northern Europe and Latin America are important ones to U.S. exporters.

EC Changes Some Fruit, Vegetable Subsidies. The European Community Council has made several changes in fruit and vegetable subsidies, including extension of payments to orange and mandarin growers with actual farming areas of less than 5 hectares (previously, payments were limited to farms of less than 5 hectares), extension of payments for lemons and clementines sold in other EC countries, and higher payments for oranges and mandarins. (Italy is the only EC country producing significant amounts of citrus fruit.)

Also, subsidies are now paid processors for all oranges purchased, instead of limited quantities. The Council also reintroduced export subsidies on fresh tomatoes and shelled almonds, increased subsidies on tomato concentrates, unshelled walnuts, and shelled hazelnuts, and eliminated the subsidy on fresh peaches.

GENERAL

USSR's Improved Transport Draws Concern. Chairman Helen Bentley of the Federal Maritime Commission in a recent speech states that Western Europe looks with concern on the USSR program to develop an integrated shipping system, including a super landbridge across Asia.

Improvement of the canal between the Baltic and the Volga River enables barges from Western Europe to go to Iran via the Volga to the Caspian Sea. Also, the Trans-Siberian Railroad roadbed and rolling stock are being upgraded. The improved 3,000-kilometer section between Baikal, Siberia, the USSR Pacific Coast is sceduled to open in 1982, and is to have the world's most powerful locomotive—a gas turbine type capable of hauling up to 10,000 metric tons.

Chairman Bentley notes that full development of this super landbridge could adversely affect the maritime fleets of the free world.

Other Foreign Agriculture Publications

- World Grain Situation (FG 13-75)
- Value of U.S. Livestock Imports Exceeds Export Value in August (FLM MT 10-75)
- World Coffee Production in 1975/76 Matches Consumption Needs (FCOF 4-75)
- Large World Tea Crop Expected in 1975 (FTEA 3-75)
- Market Potential for U.S. Agricultural Commodities in Select Mideastern and North African Countries (FAS M-269)

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USSR-East Europe Grain

Continued from page 5

tons in any one crop year, there are to be consultations with the U.S. Government.

The agreement is designed to meet a unique situation. It is in no way meant to establish a precedent for trading U.S. grain with other countries, including other countries in Eastern Europe.

The situation in the Soviet Union is unique for a number of reasons. The USSR is a vast country that utilizes an extremely large quantity of grain each year. The USSR has a population of more than 250 million people. It has been using about 200 million tons of grain a year, a quantity exceeded only by the People's Republic of China. The largest annual domestic usage of grain in the United States was 179 million tons in 1973/74.

The USSR has a centrally planned economy where administrative decisions—not market prices—determine annual consumption of grain in a given year.

The USSR is a wealthy country in terms of natural resources. It has the financial capability to enter the world market and acquire its needs for grain whenever it experiences a shortfall in annual grain production. It gains this financial capability in part because it has concentrated buying power in the form of a single State-sponsored buying agency. The USSR is not part of the Western trading world. It does not pursue a trade policy of multilateralism, but rather a trade policy of bilateralism.

Another aspect of the unique trade situation relates to the lack of information on crop conditions normally made available by other countries. Most nations, especially those of the Western trading world, provide information on crop size and import needs. But the Soviet Union is outside the Western trading world and official information on crop estimates is not available to assess import needs in advance of actual purchases.

No other country in the world has these same unique characteristics. Therefore, trade arrangements with other countries do not require the same unique framework that is embodied in the 1975 long-term grain agreement the United States has concluded with the USSR. The agreement, however, is not a rigid instrument. It does not restrict trade. It provides a framework for expanding trade. It preserves the free-trading spirit that is the basis of our market-oriented farm policy.

THE AGREEMENT does not put a limit on U.S. grain exports to the USSR. It provides a base annual market on which to build each year. The base market is not small. It is 8 million tons a year, or about 300 million bushels a year.

Five years ago, we had only one market larger than 8 million tons—the six-nation European Common Market. No single country took as much as 8 million tons of U.S. wheat and corn a year.

The agreement, furthermore, does not cover grain sorghum, barley, oats, or rye and we normally export about 7 or 8 million tons of these grains each year. The Soviets can purchase some of these grains if they want to do so.

It would be easy, therefore, for the United States to sell the Soviets 10 million tons of grain a year before triggering the consultation procedures in the agreement. And this 10 million tons does not include soybeans, soybean meal, or rice. These commodities also are not included in the agreement.

Lastly, and very importantly, the consultation provision in the agreement does not set a limit on annual U.S. corn and wheat sales to the USSR. The agreement merely says there will be consultations at the government level before the Soviets buy more than 8 million tons of U.S. wheat and corn in a given year.

The new agreement is expected to lead to changes in the Soviet buying pattern for U.S. grain. One of these probably will be that the Soviets will broaden the number of firms from which they buy. They will no longer be able to depend so much on dealing in secret, but more on competition among firms in order to get the best available price.

Although the long-term agreement provides a framework for the trading of grain with the USSR in the future, there is still much work to be done in developing the market for U.S. grain in the Soviet Union and other East European countries.

Very important among these is providing the Soviets with more technical help in the utilization of U.S. grains. They need a lot of help in this area, particularly in the balancing of livestock rations. This should provide an opportunity to expand sales of U.S. soybeans and soybean meal.

U.S. agricultural trade for the most part is still based on multilateral trade with the Western world. We do not need bilateral agreements of the Soviet type for our trade with Western Europe, Japan, Brazil and the other countries with which we now trade. We have a general multilateral trade relationship with these countries, and we should keep it that way.

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